Inland Natural Gas Co. Ltd.

1970 ANNUAL REPORT

DIRECTORS

Fred B. Brown	Vice-President, The Bank of Nova Scotia Deceased
Roderick M. Hungerford	President, Flex-Lox Industries Ltd.
Cyrus H. McLean	Chairman, B.C. Telephone Company
John A. McMahon	Chairman of the Board, and President, Inland Natural Gas Co. Ltd.
Donald R. MacPhail	Vice-President and Secretary, Inland Natural Gas Co. Ltd.
William Manson	Retired, former Regional Vice-President, Canadian Pacific Railway Deceased
Richard B. Stokes	Executive Vice-President, Finance and Operations, Inland Natural Gas Co. Ltd.
Norman R. Whittall	Industrialist

All directors reside in Vancouver, B.C.

OFFICERS

John A. McMahon	Chairman and President
Richard B. Stokes	Executive Vice-President, Finance and Operations
Donald R. MacPhail	Vice-President and Secretary
Fred B. Brown	Vice-President Deceased

OTHER EXECUTIVES

Clifford I. Kleven	Controller
Robert E. Kadlec	Chief Engineer

HEAD OFFICE

1075 West Georgia Street, Vancouver 5, B.C.

REGISTRAR

Canada Permanent Trust Company, Vancouver, B.C.

TRANSFER AGENT

Canada Permanent Trust Company,
Vancouver – Calgary – Toronto – Montreal

AUDITORS

Riddell, Stead & Co.

WHOLLY-OWNED SUBSIDIARIES

Peace River Transmission Company Limited
Grande Prairie Transmission Co. Ltd.
Inland Development Co. Ltd.
St. John Gas & Oil Co. Ltd. (N.P.L.)
Inland Transmission Co. Ltd.
Inland Development (1957) Co. Ltd.

ANNUAL MEETING—10:30 A.M. P.S.T. OCTOBER 29, 1970. HOTEL GEORGIA, VANCOUVER, B.C.

18th ANNUAL REPORT INLAND NATURAL GAS CO. LTD.

CONTENTS

COVERS:

Front cover inset is representative of the industrial and commercial growth taking place in Inland's service area; background picture (courtesy of the Government of British Columbia) is of Shuswap Lake.

Back cover illustrates beautiful Kootenay Lake near Nelson, part of the superb environmental climate attracting industry to this area now designated under the Regional Development Incentives Act.

Right: Artist's conception of Inland's new Service Centre planned to meet demands of the expanding Kamloops area. The building will feature gas heating and cooling equipment housed in an all-glass mechanical room.

HIGHLIGHTS

which were estimated at $2,400,000, your Company plans to spend an additional $4 million, which includes looping of 22½ miles of 12¾" high pressure transmission line from Savona to Kamloops, peak shaving plants, and compressor stations. Also, the Company is going to extend natural gas service to Cache Creek and Logan Lake, along with service to the Gibraltar Mining Company's operations in the Williams Lake district and Balco Forest Products near Kamloops. Some of the above projects are awaiting regulatory approval. Your Company recently completed contracts to supply natural gas to the contractors that are building pulp mills at Mackenzie, Quesnel and Kamloops. All of these mills are expected to be in production during the year 1972.

FINANCING

The capital program will be financed out of funds generated by the Company, along with a rights issue to shareholders, followed at a later date by the sale of long term debt securities.

J. A. McMahon

Chairman and President

Vancouver, B.C.
February 2, 1971

INLAND

NATURAL GAS CO. LTD.

INTERIM REPORT

DECEMBER 31, 1970

1969
$14,717,800
$15,200,289*
$ 2,202,646*
2,437,550
2,571,843
74c*
70c*
50c
$ 1.00
$ 3,321,399*
$ 1.36*
$ 1.29*
$51,566,478*
20,495
36,000

DIRECTORS

Fred B. Brown
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Cyrus H. McLean
John A. McMaho

Donald R. MacPh

William Manson

Richard B. Stoke

Norman R. Whitt

OFFICERS

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OTHER EXEC

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Robert E. Kadlec

HEAD OFFICE

1075 West Georg

REGISTRAR

Canada Permane

TRANSFER A

Canada Permane
Vancouver – Calg

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Riddell, Stead & (

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Grande Prairie Transmission Co. Ltd.
Inland Development Co. Ltd.
St. John Gas & Oil Co. Ltd. (N.P.L.)
Inland Transmission Co. Ltd.
Inland Development (1957) Co. Ltd.

INLAND NATURAL GAS CO. LTD. *and wholly-owned sub*

COMPARATIVE STATEMENT OF CONSOLIDATED INCOME

	Six Months Ended Dec. 31, 1970	Six Months Ended Dec. 31, 1969
Revenue		
Sale of Gas	**$7,127,982**	$6,543,760
Transportation allowance	**114,674**	118,089
Subsidiary companies (net before income tax)	**140,796**	156,970
Other income	**137,524**	127,477
	7,520,976	6,946,296
Expenses		
Purchase of gas	**3,296,744**	3,224,573
Operating expenses	**1,179,528**	1,147,647
Interest and amortization of long term debt	**941,211**	986,053
Interest on bank loan	**104,881**	29,765
Depreciation and depletion, including subsidiaries	**599,392**	544,066
	6,121,756	5,932,104
Income before income taxes	**1,399,220**	1,014,192
Provision for income taxes	**295,169**	112,912
Net income	**$1,104,051**	$ 901,280*
Dividends declared on preference shares	**200,000**	200,000
	$ 904,051	$ 701,280
Average common shares outstanding on December 31st	**2,571,843**	2,571,843
Earnings per average common share (after provision for dividends on preference shares)	**$0.35**	$0.27
Sale of natural gas — Mcf	**9,761,326**	9,512,744

COMPARATIVE S AND

Source of Funds
Net income for the
Add — Non-cas
Depreciation
Amortization
expense of

Application of Funds
Additions to prope
and equipment
Dividends on prefe
common shares
Increase in non-cu

Decrease in working
Working capital (defi
Working capital (defi

**Restated to reflect year-end adjustments.* *The above statement has been prepared from the books o*

ignated under the Regional Development Incentives Act.

Right: Artist's conception of Inland's new Service Centre planned to meet demands of the expanding Kamloops area. The building will feature gas heating and cooling equipment housed in an all-glass mechanical room.

ANNUAL MEETING—10:30 A.M. P.S.T. OCTOBER 29, 1970. HOTEL GEORGIA, VANCOUVER, B.C.

HIGHLIGHTS

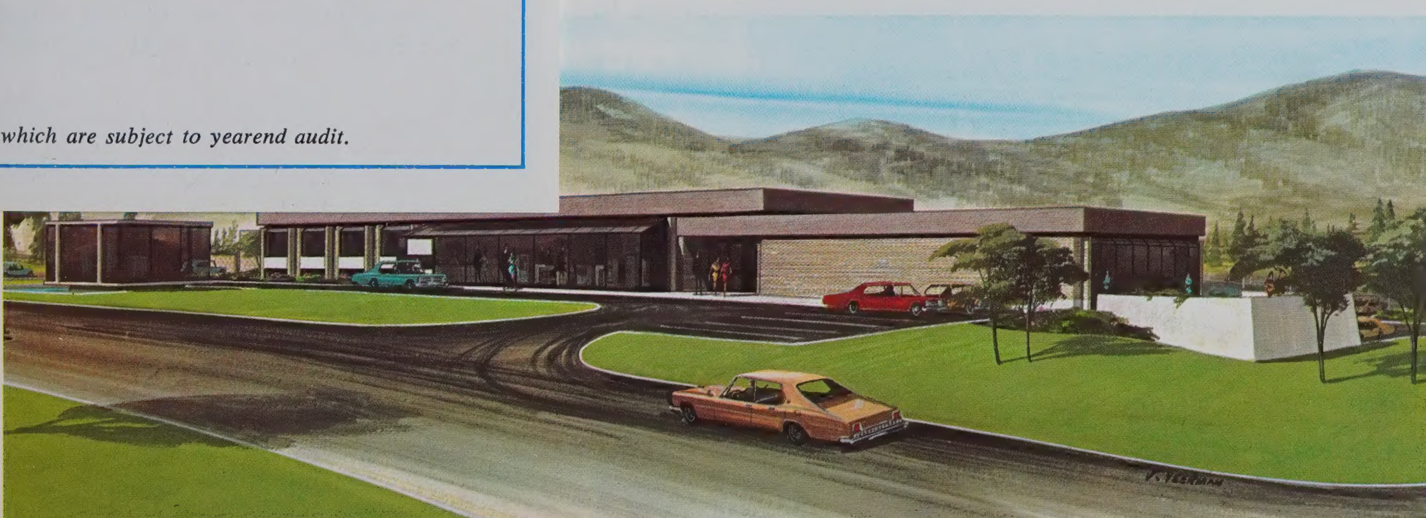
ıry companies

EMENT OF CONSOLIDATED SOURCE ·PPLICATION OF FUNDS

	Six Months Ended Dec. 31, 1970	Six Months Ended Dec. 31, 1969
months	**$1,104,051**	$ 901,280
ırges to income depletion	**599,392**	544,066
scount and ed debt	**37,544**	47,062
	1,740,987	1,492,408
ılant	**1,606,069**	2,273,590
: and	**842,961**	842,961
assets	**10,606**	17,487
	2,459,636	3,134,038
ıal	**$ 718,649**	$1,641,630
at June 30	**(1,732,295)**	411,662
ıt Dec. 31	**($2,450,944)**	($1,229,968)*

ıunt which are subject to yearend audit.

	1970	*1969*
	$14,855,615	$14,717,800
	$15,301,721	$15,200,289*
	$ 2,142,049	$ 2,202,646*
	2,571,843	2,437,550
	2,571,843	2,571,843
	68c	74c*
	68c	70c*
	50c	50c
	$ 1.00	$ 1.00
	$ 3,311,654	$ 3,321,399*
ıare		
	$ 1.29	$ 1.36*
	$ 1.29	$ 1.29*
	$52,091,430	$51,566,478*
	19,999	20,495
	39,366	36,000



DIRECTORS

Fred B. Brown — Vice-President, The Bank of Nova Scotia, Bra

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Cyrus H. McLean

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TRANSFER A

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18th ANNUAL REPORT

INLAND NA

COMPARATIVE STATEMENT OF CONS

	Dec.
Revenue	
Sale of Gas	$7,1
Transportation allowance	1
Subsidiary companies (net before income tax)	1
Other income	1
	7,5
Expenses	
Purchase of gas	3,2
Operating expenses	1,1
Interest and amortization of long term debt	9
Interest on bank loan	1
Depreciation and depletion, including subsidiaries	5
	6,1
Income before income taxes	1,3
Provision for income taxes	2
Net income	$1,1
Dividends declared on preference shares	2
	$ 9
Average common shares outstanding on December 31st	2,5
Earnings per average common share (after provision for dividends on preference shares)	
Sale of natural gas — Mcf	9,7

**Restated to reflect year-end adjustments.*

TO OUR SHAREHOLDERS

The Directors of your Company on January 28, 1971, increased the quarterly dividend from 12½c to 15c per share on the common stocks payable February 15, 1971, to shareholders of record at the close of business February 8, 1971.

EARNINGS

The Comparative Statement of Consolidated Income for the six months ending December 31, 1970, and December 31, 1969, along with a Comparative Statement of Consolidated Source and Application of Funds are set out herewith. The improved earnings for the six months ending December 31, 1970, were due to residential and commercial sales being up 22½ % over the like period a year ago. This was accounted for by a customer growth of 3,051 and cooler weather. Industrial revenues were down 10% because several of our customers operating pulp mills were closed from July 25th until the latter part of September. However, during the past three months of the period under review in this report, industrial revenues were running slightly ahead of the same period a year ago.

CAPITAL PROGRAM AND NEW BUSINESS

In addition to the routine capital expenditures for the fiscal year 1971

Development Incentives Act.

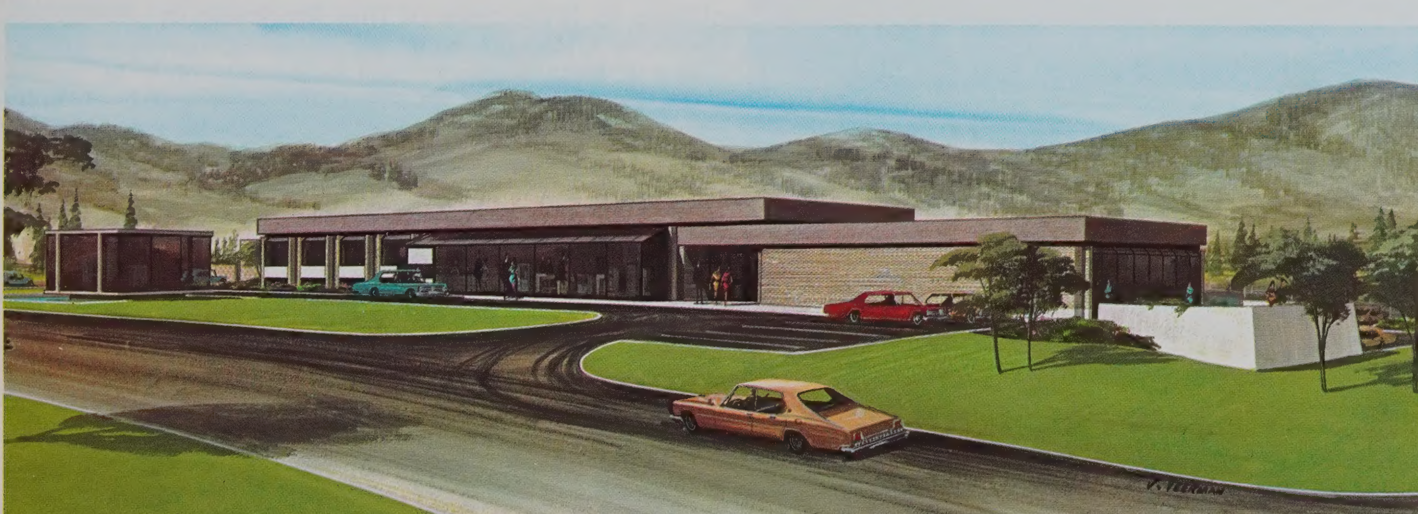
Right: Artist's conception of Inland's new Service Centre planned to meet demands of the expanding Kamloops area. The building will feature gas heating and cooling equipment housed in an all-glass mechanical room.

HIGHLIGHTS

FINANCIAL	1970	*1969*
Sale of Gas	$14,855,615	$14,717,800
Total Revenue	$15,301,721	$15,200,289*
Net Income	$ 2,142,049	$ 2,202,646*
Common Shares Outstanding		
weighted average	2,571,843	2,437,550
year end	2,571,843	2,571,843
Net Income per Common Share		
weighted average	68c	74c*
outstanding at year end	68c	70c*
Dividends on Common Shares	50c	50c
Dividends on Preference Shares	$ 1.00	$ 1.00
Cash Flow from Operations	$ 3,311,654	$ 3,321,399*
Cash Flow from Operations per Common Share		
weighted average	$ 1.29	$ 1.36*
outstanding at year end	$ 1.29	$ 1.29*
Total Assets	$52,091,430	$51,566,478*

*Restated—See Note 2 to Financial Statements.

OPERATING	1970	*1969*
Total Gas Sales (MMcf)	19,999	20,495
Number of Customers	39,366	36,000



TO OUR SHAREHOLDERS

Fiscal year ended June 30, 1970, marked the end of the decade of the 60's and the beginning of the decade of the 70's for your Company's operations and this seems to be an opportune time to review the progress made over the past 10 years and the outlook for the next decade. During the 60's, the Company's earnings base was broadened as a result of adding 25,925 new customers, a percentage gain of almost 200%, while natural gas sales rose from 5,058,000 Mcf to 19,999,000 Mcf, or nearly 300%.

The population of the communities served by your Company at the beginning of the 60's was estimated at 117,000. Since then, service has been extended into the suburban areas of many of these communities. Also, many new communities and a considerable number of rural areas have been added to the system. The population of the area presently served is estimated at 280,240. (See communities served inside back cover).

The decade of the 70's is beginning on a high note. Projects which have only recently begun will require over $650 million to complete. They include three pulp and paper mills, a number of lumber and plywood plants, the manufacture of mobile homes and travel trailers, large scale mining and milling operations, the second largest distillery in Canada, schools, hospitals, shopping centres, and the attendant need for new housing for the people that will be employed in these new industries.

Between now and June 30, 1973, the demand for natural gas service in your Company's service area is forecast to rise by about 50%. The basis of the forecast is subject to normal growth in residential and commercial sales, along with a gain in industrial sales as large consumers such as those mentioned above come on stream. Your Company has adequate supplies of natural gas under contract to meet these demands and plans are well advanced to provide the facilities to take care of this increase in business.

Yours Sincerely,

J. McMahon

Chairman of the Board and President

DIRECTORS' REPORT

Earnings and Dividends

After providing income tax of $632,873, the earnings available for the common shares for the year ending June 30, 1970, were $1,742,049, which is equivalent to 68c per share on 2,571,843 shares. In the previous year, after providing $533,337 for income tax, the earnings available for the common shares (as restated —see note 2 to financial statements) were $1,802,646, or 70c per share on 2,571,843 shares and 74c on the weighted average number of shares outstanding in fiscal year 1969. Dividends on the common shares were at the rate of 50c per share for the fiscal year 1970, the same as in the previous year.

Sinking Fund

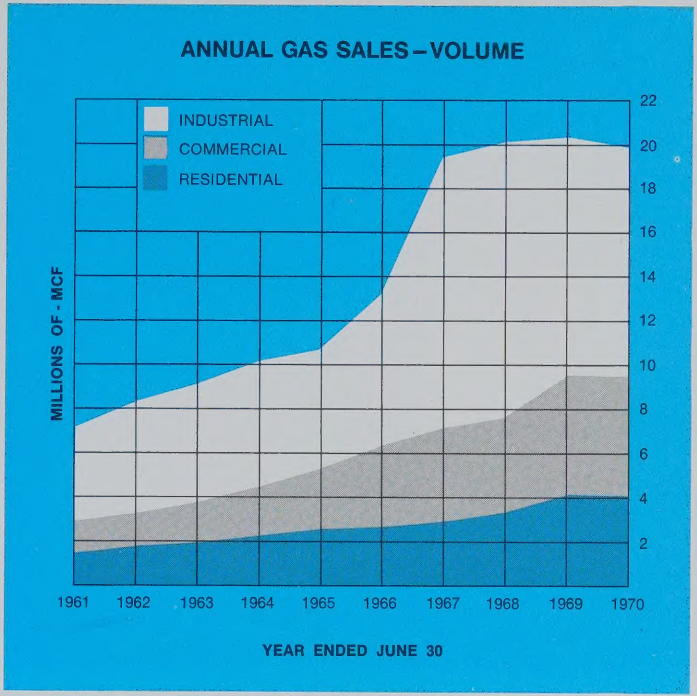
With bond prices at record low levels during the year, the decision was made to purchase bonds, not only to satisfy the mandatory sinking fund installments for the fiscal year ending June 30, 1970, but also to purchase sufficient bonds to meet the sinking fund installments due in fiscal year 1971.

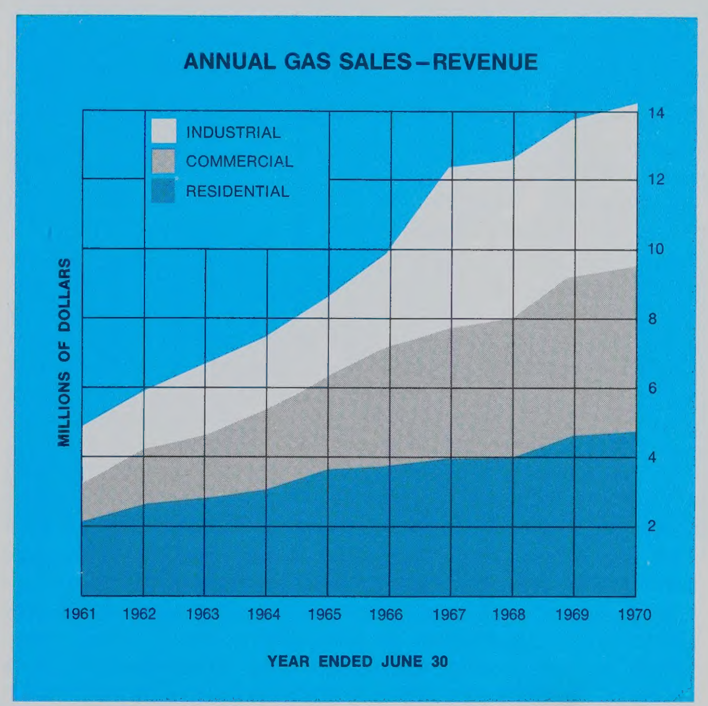
In accordance with an accounting order issued by the Public Utilities Commission in 1961, gains arising from the purchase of bonds and debentures to satisfy sinking fund requirements have been included in other income up to and including June 30, 1969. As of September 21, 1970 this order, applicable to all gas utilities under the jurisdiction of the Public Utilities Act in British Columbia, has been superseded by a new accounting order with retroactive effect to 1968. Under this new order, all gains arising from the purchase of bonds and debentures for sinking funds are to be credited to unamortized debt discount and expense, and commencing in 1970, such gains are to be amortized over the remaining life of the issues as a reduction of debt charges. The effect of this order for 1970 was to remove $218,110 from income, offset by a reduction in debt charges of $28,900. For the years ended June 30, 1969 and 1968, the respective gains of $80,251 and $30,658 have been charged to retained earnings and accordingly, the 1969 financial statements have been restated to reflect this change.

Revenue

During the year under review, your Company experienced its most successful year in the decade of the 60's in adding new customers to the system. In all, 3,366 new residential, commercial and industrial customers were connected during the year. Natural gas sales established a new high of $14,146,424. This was achieved despite warmer weather than normal, unsettled economic conditions in the forest industry, and one of our large industrial customers that produces chemical fertilizers from natural gas curtailing production at the end of September 1969, due to a general over supply situation.

After adjusting the gain on purchase of bonds for sinking funds referred to under "Sinking Fund", other operating revenue, which includes mainly revenue from sales and rental of gas appliances under various finance plans, along with interest calculated on plant under construction decreased from $283,089 to $217,-





074. This decrease resulted primarily from the abandonment of certain leased properties of St. John Gas & Oil Co. Ltd., a wholly-owned subsidiary, amounting to $46,000. Also, because capital additions were less this year, interest during construction was correspondingly lower than it was in the previous year.

Expenses

The cost of gas purchased during the year was $6,650,-914 compared to $6,702,964 in the previous year. While the volume of gas purchased was lower in the current year, the unit cost per thousand cubic feet increased due to the peak day set during the extremely cold tem-

Natural gas plays an important role in the manufacture of approximately 9 million dollars worth of glass containers annually at Consumers Glass Co. Ltd.'s new plant near Vernon. Above, red hot bottles speed along conveyor.

peratures in the winter of 1968/69. The peak day establishes the demand component in the cost of gas calculation, and your Company is required under its Gas Purchase Contract with Westcoast to pay for this peak day until November 1, the beginning of each contract year. As a result, increased demand charges of $200,000 were carried into the current year, or approximately twice the normal amount, to provide for growth in load.

Operation and maintenance expenses were down from $1,884,148 for fiscal 1969 to $1,777,335 for fiscal 1970. The majority of this decrease was due to the non-recurrence of the abnormally high costs experienced in the 1969 year owing to the severest winter on record which necessitated around-the-clock maintenance of the transmission and distribution systems. Despite a reduction in employees from 210 to 195, the cost of salaries, wages and benefits increased from $1,745,000 in 1969 to $1,809,000 in 1970. A major portion of new plant construction was performed by Company personnel, and thus a substantial portion of salaries, wages and related costs are capitalized.

Negotiations with the Office and Technical Employees Union were concluded in December, 1969, which provided for substantial increases over a two-year period to April 1, 1971. The Company's labour contract with the International Brotherhood of Electrical Workers Union representing most of the Company's outside workers expires September 12, 1970, and negotiations are presently under way to arrive at a new contract.

Property and Franchise Taxes

Over the years your company has become a major revenue contributor to the communities it serves. In 1960 Inland's total contribution for provincial and municipal taxes and franchise fees was under $170,000. During the year under review your company's contribution totalled over $700,000.

Depreciation

While there was no change in depreciation rates and the composite rate remained constant at 2.35%, depreciation increased from $1,021,128 to $1,094,611 as a result of capital expenditures in the prior year.

Interest

Interest on funded debt increased from $1,508,100 to $1,852,510 due to the additional debt incurred in June, 1969. Although bank interest rates were higher during the year the company's requirement for short-term money was less than for the previous year due to the additional permanent financing carried out in the 1969 fiscal year. This led to a decrease in other interest expense from $261,808 to $77,290.

Income Taxes

Income taxes increased by almost $100,000, from a net of $533,337 in the prior year to $632,873 in 1970.

In accordance with the Companies' regulatory authorities, the Companies continue to follow the taxes payable basis whereby maximum capital cost allowances and other deductions are claimed for income tax purposes in excess of the related amounts recorded in their accounts. This resulted in a reduction of income tax which would otherwise have been charged against income of $764,000 for the current year.

The projected capital program will for some period of time allow capital cost allowances substantially in excess of recorded depreciation. This, together with the continued expensing of capitalized overheads for tax purposes, will result in a relatively low effective rate of income tax on net income.

White Paper

Under the Federal Government's White Paper on Taxation, shareholders in investor-owned gas and electric utility companies would get no credit for corporate tax paid by the companies. Mr. Benson, the Federal Minister of Finance, based his proposal on a decision to hand such revenues back to the Provinces. Because the Federal Treasury would not receive the tax revenue, he argued, it could not give tax credits for it. Criticisms

30 million dollar Hiram Walker Okanagan Distillery under construction. This plant is the second largest distillery of its kind in Canada.

from the companies who saw their stock fall in value after the White Paper was issued have found a sympathetic audience in the Commons Finance Committee which is presently putting the finishing touches to its report on the White Paper. To quote:

"These companies and their shareholders have a valid objection. They do pay Canadian federal tax and should not be discriminated against because of a federal-provincial arrangement."

The committee suggests that, instead of handing the revenue over to the provinces, Ottawa should hold enough back to cover the cost of giving credits to Canadian shareholders.

Sales and Market Development

Your Company continued to obtain as customers over 90% of new construction in the service area. Conversions to gas from other fuels in existing homes was a contributing factor to the substantial increase in new customers during the year. We estimate that there is about 50% of the existing dwelling units that remain as potential customers and over a period of time we expect we will attach a high percentage of this market due to the very favourable competitive cost of natural gas versus other fuels, and the fact that natural gas equipment costs less to instal when competitive systems fail.

Community Relations

Good community relations are maintained by Company employees, who are encouraged to participate fully in community activities. Managers and other personnel belong to such organizations as Community Chest, the Cancer Foundation, the Red Cross, Chambers of Commerce and Boards of Trade, service clubs and youth organizations, all of which assist the Company in its efforts to be a good corporate citizen and, in addition, is the key to a full awareness of all local developments.

B.C. Government Pho

Premier W. A. C. Bennett cuts ribbon to officially open the Yellowhead section of the Trans-Canada Highway linking Edmonton and Jasper Park with Kamloops.

Artist's conception of 8 million dollar plywood manufacturing plant to be constructed near Vernon by Crown Zellerbach Canada Limited.

Highway Expansion

Over the past decade there have been several hundred millions of dollars spent on highways throughout the interior making this region readily accessible.

On completion of the Rogers Pass, shippers had an immediate rate reduction on rail freight on a wide list of products. This was particularly helpful to the Okanagan fruit industry in shipping fresh fruit to the Prairie Provinces. The same benefits are expected of the Yellowhead section of the Trans-Canada Highway, which was officially opened this year, linking Edmonton with Jasper Park and Kamloops.

The Trans-Canada Highway through the Rogers Pass has literally brought millions of tourists to Inland's service area, and forecasts are equally optimistic for the Yellowhead link.

Regional Development Incentives Act

The West Kootenays were recently designated as a region in which industry may apply for Federal grants under the above Act passed by the Federal Parliament in mid-1969. Incentive grants are available for all kinds of manufacturing operations and many kinds of processing operations including advance processing in the resources industries such as petro-chemical operations, the production of metals, the manufacture of paper and paperboard from pulp, sawmilling and lumber operations, along with food processing. The maximum grant for any one of these projects is $12 million.

A major attraction for industry to locate in the Kootenays is the excellent environmental climate which boasts many superb recreational facilities, beaches, lakes and scenic grandeur (see back cover). Educational facilities include Selkirk College at Castlegar, Nelson Vocational School and Notre Dame University also at Nelson.

Natural Gas Supply and Cost

Inland purchases all of its natural gas requirements from Westcoast Transmission Company Limited. The contract between Inland and Westcoast gives Inland the right to purchase from Westcoast up to the maximum daily quantity of 170,000,000 cubic feet, or over twice our maximum firm day sendout during this past year. The contract consists of a billing demand charge and a commodity charge for all firm gas purchased and the agreement remains in effect up to and including October 31, 1991, with respect to volumes of gas to be purchased and to October 31, 1987, without escalation with respect to price.

Your Company is studying ways and means of reducing the billing demand charges under the Westcoast contract by installing peak shaving facilities which would minimize the cost of gas and also provide an alternate source of natural gas in the event of a temporary interruption of service. Recent advances in the technology of liquified natural gas have prompted the Company to re-examine this medium as a means of achieving these objectives which is an alternative to constructing 88 miles of transmission line that the Company proposed to build linking the Inland system with the Alberta Natural Gas Company.

A liquified natural gas plant liquifies and holds natural gas in storage for distribution during peak demand periods. The liquified gas is then vaporized for distribution during cold weather periods when customer usage is at a peak. Such a plant will enable your Company to increase its winter daily peaking capacity, without increasing its billing demand, and thereby meet its firm load requirements at a substantial saving in the cost of purchasing gas from the supplier.

Capital Expenditures

Natural gas service was extended to the communities of Clinton and Lumby and along the Hart Highway in the Prince George area by the construction of 26 miles of transmission lines. Large industrial customers which were provided with service included the Consumers' Glass plant in the Vernon area and the Lafarge Cement plant at Kamloops. The total capital expenditures for the year were $3,293,000.

Future Capital Expenditures

Routine capital expenditures for 1971 are estimated at $2,400,000 consisting of new services and main extensions totalling $1,400,000, additional supply lines to Prince George and Rutland amounting to $350,000 and other special projects approximating $650,000.

Natural gas service will also be extended to Ashcroft at an estimated cost of $695,000.

Financing

Funds for the 1970 construction program were provided by the bond issue in June, 1969, together with short-term borrowings.

At the present time your Company has outstanding a relatively small amount of short-term debt and has available sufficient lines of credit with its bankers to meet normal cash requirements and routine capital expenditures in the coming year. When long-term financing is arranged, it will consist of a combination of equity and debt securities.

WHOLLY-OWNED SUBSIDIARIES

Peace River Transmission Company Limited

The Company purchases gas from the gathering system of Westcoast Transmission Company Limited and transmits the gas through 35 miles of transmission lines to the outskirts of the City of Dawson Creek in northern British Columbia, where the gas is sold to Northland Utilities Limited for distribution in Dawson Creek and Pouce Coupe.

Gas sales for the year ended June 30, 1970 were 1,162 million cubic feet compared to 1,416 million cubic feet for the previous year. The decrease in annual sales is a result of warmer temperature compared to the previous year and a decline in the load at the B.C. Hydro generating plant.

Grande Prairie Transmission Co. Ltd.

The Company receives its gas supply from three fields north of Grande Prairie in the Peace River area of Alberta. The Company operates the gas wells and transmits the gas through a system of pipelines and compressors to the City of Grande Prairie and five other small communities in the immediate area. The gas is sold to Northland Utilities Limited for distribution in these communities.

Fred B. Brown

Mr. Fred Boyd Brown, a member of the Board of Directors since the Company was incorporated in 1952 and Vice-President since 1956, died August 21, 1970. Mr. Brown was a man of great personal integrity who had an outstanding business career and was truly a dedicated British Columbian. These attributes were extremely valuable to your Company.

Mr. William Manson, a member of the Board of Directors since 1957, died August 8, 1970. Prior to his retirement, he was Vice-President of the Canadian Pacific Railway's Pacific Region. His knowledge of the Province and experience in public service was of great value to your Company.

The most distressing thing of all in respect to the loss of these two Directors is the loss of two sincere friends.

William Manson

Sales for the year ended June 30, 1970 amounted to 1,262 million cubic feet of natural gas compared to 1,320 million cubic feet in the previous year. The decrease in sales is a result of the extreme difference in weather pattern over the two-year period.

Plans are currently underway in Grande Prairie to locate a college in the community and this, together with new commercial business, will result in an increased load for this Company.

St. John Gas & Oil Co. Ltd. (N.P.L.)

The Company holds interests in lease selections from former permits 22 and 30 near Fort St. John in northeastern British Columbia, and participates in the production of natural gas and oil.

Inland Development Co. Ltd.

Revenue from this subsidiary is generated mainly from second mortgages it holds on residential and commercial buildings and properties.

The company has also been active in the sale of real estate in that it owns various residential, commercial and industrial land. The most significant of these real estate developments in terms of revenue generated during the year is a residential subdivision in the city of Vernon. Twenty acres of land representing approximately 90 lots are being developed and the first stage of development representing 26 lots is complete. At June 30, 1970, 12 lots had been sold and since that date another 2 lots have been sold.

GENERAL

Approximately 93% of the shareholders of Preferred and Common stock of the Company are resident in Canada. The distribution of each class of shares is set forth herewith:

	Shareholders		Shares Held	
	1970	1969	1970	1969
Preferred				
Canada	2,406	2,482	398,232	398,704
U.S.A.	13	13	1,342	1,015
Others	7	5	426	281
	2,426	2,500	400,000	400,000
Common				
Canada	4,218	4,149	2,006,005	1,970,168
U.S.A.	391	380	218,466	274,048
Others	119	78	347,372	327,627
	4,728	4,607	2,571,843	2,571,843

The principal and interest payments on all of the funded debt of the Company are payable in Canadian funds only.

During the year, two senior officers of the Company who have long and excellent service, were appointed to the Board of Directors, Mr. R. B. Stokes, Executive Vice-President, Finance and Operations, and Mr. D. R. MacPhail, Vice-President, Legal Counsel.

The loyalty and dedication of our employees has once again been demonstrated in their high standard of performance. The Board of Directors gratefully acknowledge their invaluable contributions and the continued support of the shareholders.

For the Board of Directors,

J. McMahon

Chairman of the Board and President

September 25, 1970

PACIFIC RIM TRADING

It is presently estimated that 40% of the 700 million dollar annual Canadian exports to Japan are from British Columbia. Mineral industries which represent approximately 150 million dollars of this figure is expected to rise to some 550 million in 1975. An example of this type of development taking place in our service area is illustrated by the pictures on this page which show, above, the Brenda Copper-Molybdenum Mine near Peachland and below, an artist's conception of Lornex Mining Corporation's planned open pit copper mine in Highland Valley, which is estimated to become the largest non-ferrous mining operation in Canada. Japanese investment has also been pouring into the forest industry and includes joint ventures with Canadian companies in logs, plywood, pulp and paper. Immediate Canadian-Japanese forest industry projects planned for Inland's area include construction of new pulp mills at Quesnel, Mackenzie, and possibly Nelson. The impact of Pacific Rim Trading reaches into almost all areas of British Columbia economy. This is exemplified by the artist's conception of a pagoda-style Toyota Sales Centre at Kamloops. (Bottom)

INLAND NATURAL GAS CO. LTD.
and Wholly-owned Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED JUNE 30

	1970	*1969*
REVENUE		
Sale of gas	**$14,855,615**	$14,717,800
Transportation allowance	**229,032**	199,400
Other operating revenue (Note 2)	**217,074**	283,089
	15,301,721	15,200,289
EXPENSES		
Purchase of gas	**6,942,934**	7,030,368
Operation and maintenance	**1,777,335**	1,884,148
Property and franchise taxes	**707,125**	661,129
Depreciation (Note 6)	**1,094,611**	1,021,128
Interest on funded debt	**1,852,510**	1,508,100
Other interest	**77,290**	261,808
Amortization of discount and expense on funded debt (Note 2)	**74,994**	97,625
	12,526,799	12,464,306
Income before income taxes	**2,774,922**	2,735,983
Income taxes (Note 7)	**632,873**	581,700
Income before extraordinary item	**2,142,049**	2,154,283
Extraordinary item—income tax reduction realized on losses carried forward	**—**	48,363
NET INCOME	**$ 2,142,049**	$ 2,202,646
EARNINGS PER COMMON SHARE (Note 8), based on:		
Income before extraordinary item	**$ 0.68**	$ 0.72
Net income	**$ 0.68**	$ 0.74

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED JUNE 30

	1970	*1969*
BALANCE AT BEGINNING OF YEAR		
As previously reported	**$ 5,968,058**	$ 5,365,647
Adjustment of prior years		
Other operating revenue (Note 2)	**110,909**	30,658
Income taxes (Note 5)	**24,585**	—
As restated	**5,832,564**	5,334,989
Net income for the year	**2,142,049**	2,202,646
	7,974,613	7,537,635
Dividends on preference shares—$1.00 per share	**400,000**	400,000
Dividends on common shares—$.50 per share	**1,285,921**	1,228,367
Common share issue expenses, net of income tax (Note 5)	**—**	76,704
	1,685,921	1,705,071
BALANCE AT END OF YEAR	**$ 6,288,692**	$ 5,832,564

The accompanying notes are part of these financial statements.

CONSOLIDATE

AS A

ASSETS

CURRENT ASSETS	1970	*1969*
Cash	**$ —**	$ 1,148,511
Accounts receivable	**1,354,142**	1,735,236
Mortgages receivable	**13,149**	16,321
Inventories of materials and supplies, at cost	**928,503**	777,343
Prepaid expenses	**45,099**	29,615
	2,340,893	3,707,026
NON-CURRENT ASSETS		
Mortgages and other long-term receivables	**566,292**	608,643
Investment in marketable securities, at cost (quoted market 1970 - $78,000, 1969 - $79,500)	**100,000**	100,000
Real estate held for resale, at cost	**357,283**	332,091
	1,023,575	1,040,734
PROPERTY, PLANT AND EQUIPMENT, at cost		
Natural gas transmission lines and distribution systems	**49,389,552**	46,340,607
Plant, buildings and equipment	**3,140,042**	2,994,367
Land and land rights	**1,207,033**	1,215,626
	53,736,627	50,550,600
Accumulated depreciation	**7,294,623**	6,353,399
	46,442,004	44,197,201
Interest in petroleum and natural gas properties	**80,338**	125,950
Accumulated depletion	**53,667**	52,406
	26,671	73,544
	46,468,675	44,270,745
OTHER ASSETS AND DEFERRED CHARGES		
Commission and expense on issue of preference shares	**1,265,678**	1,265,678
Unamortized discount and expense on funded debt (Note 2)	**967,501**	1,257,187
Incorporation and organization expenses	**25,108**	25,108
	2,258,287	2,547,973
	$ 52,091,430	$51,566,478

The accompanying notes are part of these financial statements.

BALANCE SHEET
JUNE 30

LIABILITIES

CURRENT LIABILITIES	1970	1969
Bank loan	$ 31,746	$ —
Notes payable	2,000,000	—
Accounts payable	879,016	1,383,343
Dividends payable	100,000	100,000
Income taxes (Notes 5 and 7)	172,898	497,682
Interest accrued on funded debt	287,824	319,103
Property and franchise taxes accrued	601,704	553,236
Bonds redeemable within one year (Note 3)	—	442,000
	4,073,188	3,295,364
FUNDED DEBT (Note 3)		
6¼% First Mortgage Sinking Fund Bonds, Series C, due May 1, 1983	17,567,000	18,036,000
8% First Mortgage Sinking Fund Bonds, Series D, due December 31, 1989	5,000,000	5,000,000
5½% Convertible Sinking Fund Debentures, Series A, due February 15, 1977	5,360,000	5,600,000
	27,927,000	28,636,000

SHAREHOLDERS' EQUITY

SHARE CAPITAL		
5% Cumulative preference shares, par value $20 per share, redeemable at not more than $21 per share Authorized: 500,000 shares Issued: 400,000 shares	8,000,000	8,000,000
Common shares, par value $1 per share (Note 4) Authorized: 5,000,000 shares Issued: 2,571,843 shares	2,571,843	2,571,843
PREMIUM ON COMMON SHARES	3,230,707	3,230,707
RETAINED EARNINGS (Notes 2 and 5)	6,288,692	5,832,564
	20,091,242	19,635,114
	$52,091,430	$51,566,478

Approved on behalf of the Board

JOHN A. McMAHON, Director

NORMAN R. WHITTALL, Director

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED JUNE 30

	1970	*1969*
SOURCE OF FUNDS		
Operations		
Net income for the year	**$ 2,142,049**	$ 2,202,646
Add – Non cash charges to income		
Depreciation and depletion (Note 6)	**1,094,611**	1,021,128
Amortization of discount and expense on funded debt (Note 2)	**74,994**	97,625
Cash flow from operations	**3,311,654**	3,321,399
Gain on purchase of funded debt for sinking funds (Notes 2 and 3)	**218,110**	80,251
Repayments on mortgages and long-term receivables, net	**42,351**	70,011
Common shares issued	**—**	2,302,180
Funded debt issued	**—**	5,000,000
	3,572,115	10,773,841
APPLICATION OF FUNDS		
Additions to property, plant and equipment	**3,292,541**	4,252,662
Real estate purchased for resale	**25,192**	332,091
Sinking fund for bonds and debentures (Note 3)	**709,000**	682,000
Dividends on preference and common shares	**1,685,921**	1,628,367
Common share issue costs, net (Note 5)	**—**	76,704
Funded debt issue costs	**3,418**	135,719
	5,716,072	7,107,543
INCREASE (DECREASE) IN WORKING CAPITAL	**(2,143,957)**	3,666,298
Working capital (deficit) at beginning of year	**411,662**	(3,254,636)
WORKING CAPITAL (DEFICIT) AT END OF YEAR	**$ (1,732,295)**	$ 411,662

The accompanying notes are part of these financial statements.

AUDITORS' REPORT

To the Shareholders
Inland Natural Gas Co. Ltd.

We have examined the consolidated balance sheet of Inland Natural Gas Co. Ltd. and its wholly-owned subsidiaries as at June 30, 1970, and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1970, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for gains on purchase of debt securities for sinking funds referred to in Note 2, on a basis consistent with that of the preceding year.

Vancouver, B.C.
September 24, 1970

RIDDELL, STEAD & CO.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 1970.

1. Principles of Consolidation

The consolidated financial statements include the accounts of Inland Natural Gas Co. Ltd. and its subsidiaries, all of which are wholly-owned.

2. Unamortized Discount and Expense on Funded Debt: Gains on Purchase of Debt Securities

Discount and expense on funded debt is amortized over the life of the issues. In compliance with an order of the Public Utilities Commission dated September 21, 1970 retroactive to 1968, gains on purchase of debt securities for sinking funds, heretofore recorded in accordance with a previous order issued in 1961 as income in the year of realization have, for the fiscal years 1968 to 1970 inclusive, been applied to reduce the unamortized balance of discount and expense on funded debt. Commencing in 1970, such gains are amortized over the remaining life of the issues as a reduction of debt charges. As a result, net income for the 1970 fiscal year has been reduced by $218,110, offset by a reduction of debt charges of $28,900. Further, the balance of retained earnings at June 30, 1969 has been restated from amounts previously reported to reflect the retroactive charge of $110,909. Of this amount, $80,251 is applicable to 1969 and has been reflected as a decrease in other operating revenue for that year; the balance, $30,658, is applicable to 1968 and has been charged to retained earnings at July 1, 1968.

3. Funded Debt

The 5½% Convertible Sinking Fund Debentures, Series A are (inter alia) unsecured obligations of the Company but are subject to restrictions of the Trust Indenture dated February 15, 1957. They are callable at a premium of 1.6% up to and including February 14, 1971, and thereafter at a reducing premium. The convertible feature of the debentures expired November 15, 1967.

The Trust Deeds for the Series C and D bonds and the Series A debentures, require the Company to establish sinking funds to retire approximately 50% of each issue prior to maturity. The annual requirements to date have been fulfilled by retirement of the stipulated principal amount of such securities. The requirements over the next five years are 1971 – $709,000; 1972 – $739,000; 1973 – $844,000; 1974 – $883,000; 1975 – $924,000. Prior to June 30, 1970, the Company had purchased and retired $240,000 Series A debentures and $469,000 Series C bonds in satisfaction of the entire 1971 sinking fund requirements.

4. Share Capital

The Series D bonds have share purchase warrants attached which entitle holders to purchase common shares of the Company on or before June 15, 1979, at $17.50 per share. 75,000 unissued shares have been reserved to meet this commitment.

5. Retained Earnings

During 1970 the Company was re-assessed an additional $24,585 for income taxes applicable to the prior year resulting from the disallowance of certain common share issue expenses, which were charged to retained earnings in 1969 and, accordingly, the balance of retained earnings at June 30, 1969, has been restated.

The Trust Deeds relating to the Series C and D bonds contain certain restrictions upon the payment of dividends. All of the Company's retained earnings were free of these restrictions at June 30, 1970.

6. Depreciation

Depreciation is computed on a straight-line basis in conformity with requirements of the Public Utilities Commission of British Columbia whereby approved depreciation rates for each class of plant, designed to amortize the cost of the assets over their estimated useful lives, are applied to the Company's investment in such plant at the beginning of the year. The composite rate for the year ended June 30, 1970, was 2.35%. Rates for major plant classifications are as follows:

Transmission and distribution mains	2%
Meters, compressors, buildings, measuring and regulating equipment	3%
General equipment	5% to 15%

7. Income Taxes

The companies claim capital cost allowances and certain other deductions for income tax purposes in excess of the related amounts recorded in their accounts, thereby reducing income taxes which would otherwise have been charged against income by $764,000 for the 1970 fiscal year and $7,313,000 in total to June 30, 1970. Since only the taxes currently payable are allowed for regulatory purposes in setting consumer rates, the companies follow the taxes payable basis and make no provision for such reductions. This method is approved by the companies' regulatory authorities and is considered appropriate in these circumstances by the Canadian Institute of Chartered Accountants.

8. Earnings Per Common Share

Earnings per common share are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years. Dividend requirements on preference shares of $400,000 each year were deducted from the income figures for purposes of these calculations.

There is no material dilution of earnings per share resulting from purchase warrants outstanding at June 30, 1970.

9. Remuneration of Directors

Remuneration paid to directors, including fees and salaries as officers, amounted to $97,426 for the year ended June 30, 1970.

10. Pension Plan

The Company revised its pension plan for salaried employees effective January 1, 1970. The actuarial liability for past service benefits arising from these revisions, $207,000 as at June 30, 1970, is being funded and charged to operations over a twenty year period to 1989 in annual amounts of $18,400.

11. Contingent Liability

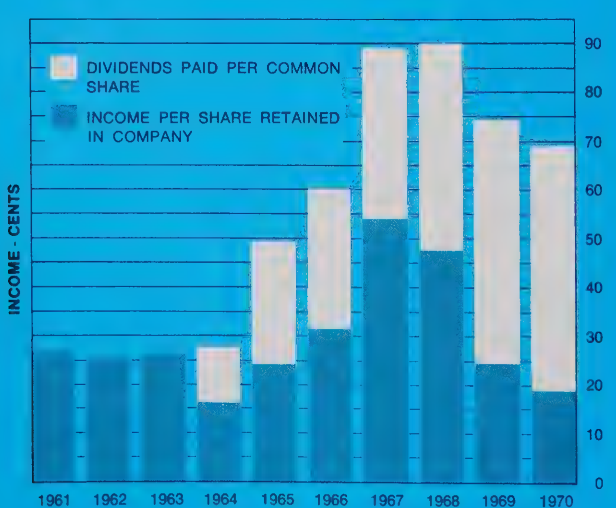
The Company has guaranteed collection of certain second mortgages in the amount of $297,000 as at June 30, 1970, sold by Inland Development Co. Ltd.

COMPARATIVE STATEMENT OF

DISTRIBUTION OF TOTAL TAX COSTS
($1,283,400)

YEAR ENDED JUNE 30, 1970

NET INCOME AND DIVIDENDS
PER COMMON SHARE



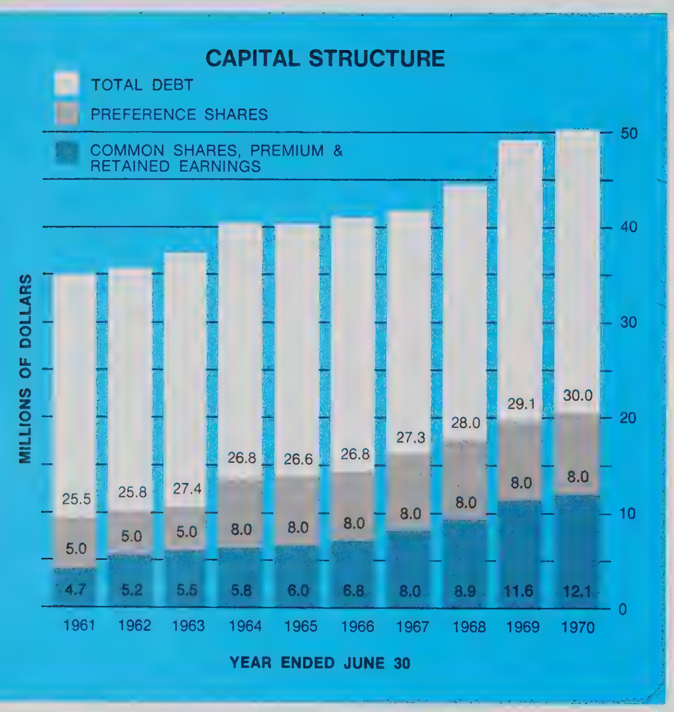
YEAR ENDED JUNE 30

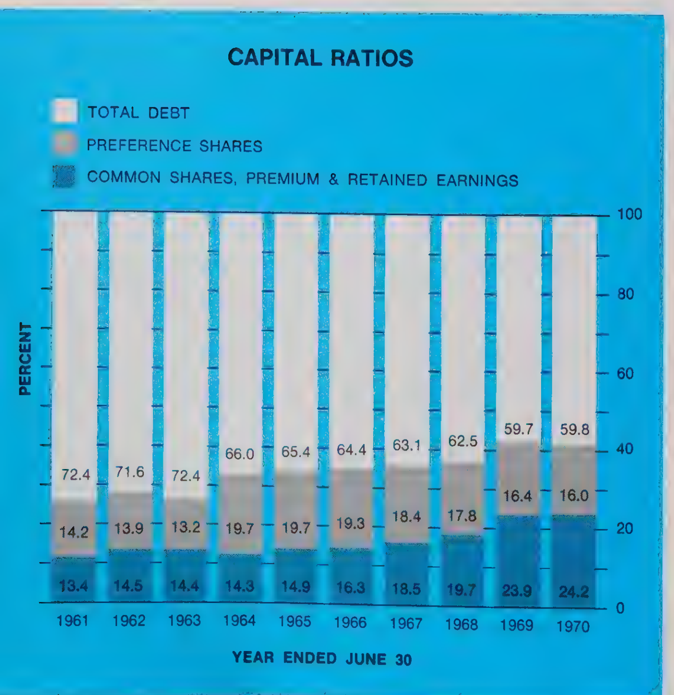
	1970
REVENUE	
Sale of gas	$14,146,424
Transportation allowance	229,032
Other income*	238,433
	14,613,889
EXPENSES	
Purchase of gas	6,650,914
Operation and maintenance	1,655,258
Property taxes	430,785
Franchise fees	258,094
Depreciation	1,037,895
Interest on borrowed money	1,948,695
Amortization of debt discount and expense	74,994
	12,056,635
INCOME BEFORE INCOME TAXES	2,557,254
INCOME TAXES	594,511
NET INCOME	1,962,743
INCOME FROM SUBSIDIARY COMPANIES (net)	179,306
NET CONSOLIDATED INCOME	$ 2,142,049
DIVIDENDS	
Preference shares	$ 400,000
Common shares	1,285,921
Total dividends	$ 1,685,921
NUMBER OF COMMON SHARES (average)	2,571,843
EARNINGS PER COMMON SHARE* (after provision for preference dividends)	$ .68
DIVIDENDS PER COMMON SHARE	$ .50

CONSOLIDATED INCOME AND DIVIDENDS

1969	1968	1967	1966	1965	1964	1963	1962	1961
3,960,737	12,545,300	12,234,227	9,799,765	8,479,660	7,423,563	6,556,089	5,878,547	4,868,967
199,400	151,800	151,800	174,053	175,656	151,800	151,800	151,800	568,470
284,512	283,756	292,443	249,064	210,190	191,808	123,647	61,266	45,400
4,444,649	12,980,856	12,678,470	10,222,882	8,865,506	7,767,171	6,831,536	6,091,613	5,482,837
6,702,964	5,971,774	5,694,852	4,280,876	3,557,154	3,212,773	2,996,460	2,750,838	2,527,295
1,764,769	1,486,372	1,618,442	1,392,008	1,136,138	982,487	836,784	662,244	540,137
386,764	346,214	316,294	298,680	262,875	225,686	185,064	168,141	122,994
257,692	211,725	199,773	192,324	175,890	147,940	128,841	116,549	88,445
965,584	916,347	868,390	803,515	768,834	733,427	493,426	244,783	25,280
1,791,638	1,708,993	1,680,905	1,637,693	1,631,624	1,637,036	1,582,600	1,524,156	1,477,505
97,625	97,215	97,215	97,215	97,215	97,130	61,468	57,277	46,286
1,967,036	10,738,640	10,475,871	8,702,311	7,629,730	7,036,479	6,284,643	5,523,988	4,827,942
2,477,613	2,242,216	2,202,599	1,520,571	1,235,776	730,692	546,893	567,625	654,895
490,580	–	–	–	–	–	–	–	–
1,987,033	2,242,216	2,202,599	1,520,571	1,235,776	730,692	546,893	567,625	654,895
215,613	275,547	286,423	285,628	301,741	314,517	322,701	264,041	236,924
2,202,646	2,517,763	2,489,022	1,806,199	1,537,517	1,045,209	869,594	831,666	891,819
400,000	400,000	400,000	400,000	400,000	400,000	250,000	250,000	250,000
1,228,367	995,191	819,569	643,948	585,406	292,703	–	–	–
1,628,367	1,395,191	1,219,569	1,043,948	985,406	692,703	250,000	250,000	250,000
2,437,550	2,341,625	2,341,625	2,341,625	2,341,625	2,341,625	2,341,625	2,341,625	2,341,325
.74	.90	.89	.60	.49	.28	.26	.25	.27
.50	.42½	.35	.27½	.25	.12½	–	–	–

*1969 and 1968 restated to give effect to Order from Public Utilities Commission, September 21, 1970.





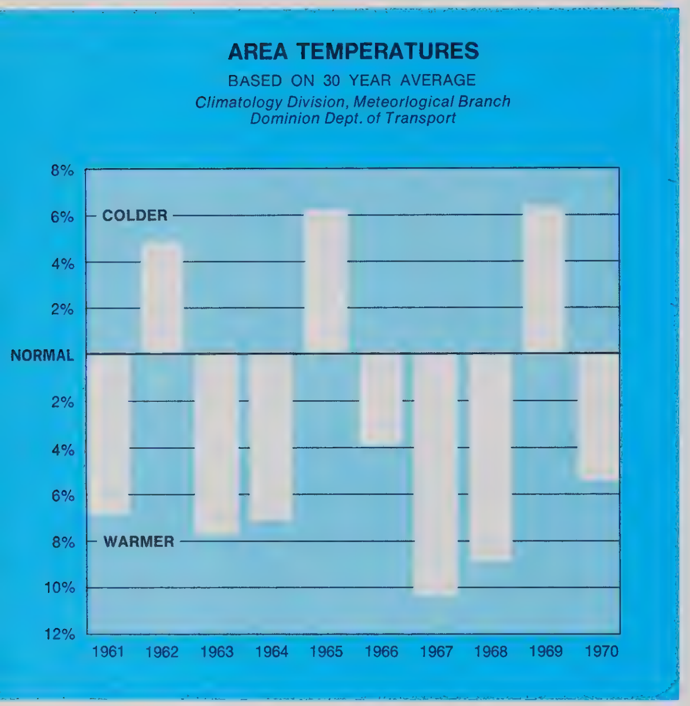
CONSOLIDATED BALANC

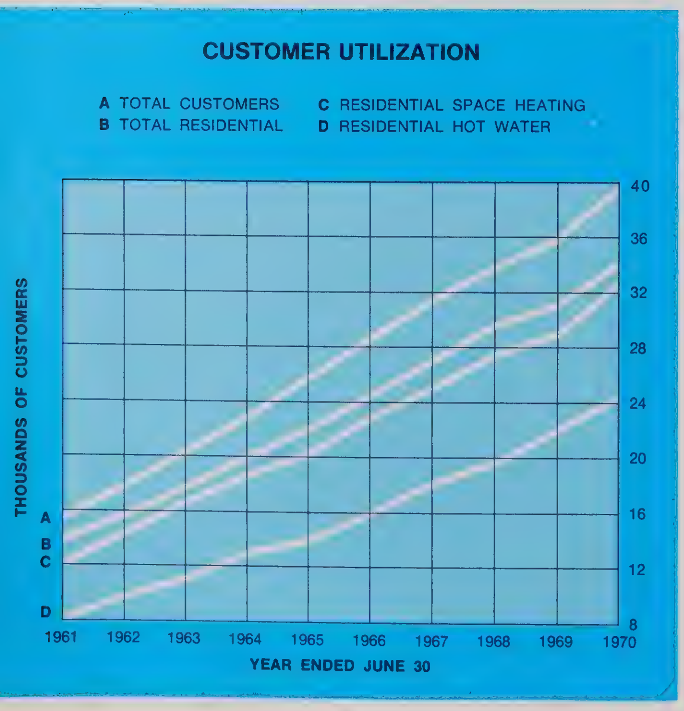
	1970
MILES OF COMPANY OWNED LINES	
Transmission	603
Distribution	778
Services	569
Transmission–subsidiaries	115
UTILITY PLANT ($000)	
Transmission	$22,615
Distribution	24,727
Stand-by	340
General	3,313
Construction work in process	134
Total Utility Plant	51,129
SUBSIDIARIES' PLANT	2,688
	53,817
ACCUMULATED DEPRECIATION	
Inland Natural Gas Co. Ltd.	6,615
Subsidiary companies (including depletion)	733
	7,348
NET CONSOLIDATED PLANT	$46,469
CAPITALIZATION ($000)	
First mortgage bonds	$22,567
Debentures	5,360
Short-term notes and bank loan (net)	2,031
Total debt	29,958
Preference shares	8,000
Common shares	2,572
Premium on common shares	3,231
Retained earnings*	6,289
	$50,050
PERCENT OF TOTAL CAPITALIZATION*	
First mortgage bonds	45.1
Debentures	10.7
Short-term notes and bank loan (net)	4.0
Total percent of debt	59.8
Preference shares	16.0
Common shares	5.1
Premium on common shares	6.5
Retained earnings	12.6
	100.0
RATIOS*	
First mortgages debt interest - times earned	3.09
Total debt interest – times earned	2.48
Preference dividends – times earned	5.36

SHEET INFORMATION

1969	1968	1967	1966	1965	1964	1963	1962	1961
559	481	471	440	408	400	393	391	390
691	626	576	541	496	457	433	393	375
526	491	458	424	385	351	319	282	253
115	115	109	109	102	102	102	102	96
21,322	19,300	18,570	18,081	17,544	17,231	17,190	16,806	16,787
22,378	20,806	19,258	17,818	16,098	14,890	13,605	12,209	11,202
338	337	333	324	321	319	318	318	319
3,172	2,963	2,953	2,780	2,639	2,381	2,251	1,756	1,784
896	615	508	68	50	39	77	7	9
48,106	44,021	41,622	39,071	36,652	34,860	33,441	31,096	30,101
2,570	2,512	2,496	2,466	2,298	4,447	4,297	4,461	4,285
50,676	46,533	44,118	41,537	38,950	39,307	37,738	35,557	34,386
5,726	4,862	4,017	3,218	2,455	1,758	1,032	532	255
680	632	581	532	481	1,215	1,091	967	860
6,406	5,494	4,598	3,750	2,936	2,973	2,123	1,499	1,115
44,270	41,039	39,520	37,787	36,014	36,334	35,615	34,058	33,271
23,478	18,894	19,285	19,653	20,000	20,000	20,000	16,200	16,800
5,600	5,840	6,080	6,320	6,500	6,800	7,027	7,171	7,171
—	3,258	2,000	800	100	—	400	2,400	1,500
29,078	27,992	27,365	26,773	26,600	26,800	27,427	25,771	25,471
8,000	8,000	8,000	8,000	8,000	8,000	5,000	5,000	5,000
2,572	2,342	2,342	2,342	2,342	2,342	2,342	2,342	2,341
3,231	1,159	1,159	1,159	1,159	1,159	1,159	1,159	1,157
5,833	5,335	4,526	3,262	2,519	2,316	1,964	1,734	1,224
48,714	44,828	43,392	41,536	40,620	40,617	37,892	36,006	35,193
48.2	42.2	44.5	47.3	49.2	49.3	52.8	45.0	47.7
11.5	13.0	14.0	15.2	16.0	16.7	18.5	19.9	20.4
—	7.3	4.6	1.9	.2	—	1.1	6.7	4.3
59.7	62.5	63.1	64.4	65.4	66.0	72.4	71.6	72.4
16.4	17.8	18.4	19.3	19.7	19.7	13.2	13.9	14.2
5.3	5.2	5.4	5.6	5.8	5.8	6.2	6.5	6.6
6.6	2.6	2.7	2.8	2.9	2.8	3.0	3.2	3.3
12.0	11.9	10.4	7.9	6.2	5.7	5.2	4.8	3.5
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
3.87	3.62	3.50	2.91	2.64	2.25	2.51	2.45	2.85
2.60	2.54	2.55	2.18	2.02	1.72	1.63	1.62	1.66
5.51	6.29	6.22	4.52	3.84	2.61	3.48	3.33	3.57

*1969 and 1968 restated to give effect to Order from Public Utilities Commission, September 21, 1970.





COMPARATIVE STATEMENT OF SALES

	1970
REVENUE ($000)	
Residential	$ 4,738
Commercial	3,566
Special construction	—
Small industrial	1,272
Industrial	4,570
Total natural gas revenue	$14,146
SALES (MMcf)	
Residential	4,083
Commercial	3,630
Special construction	—
Small industrial	1,892
Industrial	10,394
Total natural gas sales	19,999
CUSTOMERS AT YEAR END	
Residential	34,174
Commercial	5,121
Special construction	—
Small industrial	51
Industrial	20
Total customers at year end	39,366
CUSTOMER STATISTICS	
Average use per customer (Mcf)	
Residential	125
Commercial	744
Average rate per Mcf	
Residential	$ 1.16
Commercial	$ 0.98
COST OF NATURAL GAS PURCHASED ($000)	$ 6,651
VOLUME OF NATURAL GAS PURCHASED (MMcf)	20,040
MAXIMUM DAY SENDOUT (Mcf) Including interruptible	90,839

***excluding subsidiary companies**

PURCHASES AND CUSTOMER STATISTICS*

1969	1968	1967	1966	1965	1964	1963	1962	1961
4,645	3,994	3,862	3,804	3,722	3,159	2,788	2,601	2,068
3,316	2,748	2,391	2,421	2,201	1,720	1,491	1,397	1,130
—	28	45	66	1	—	—	—	—
1,419	1,142	1,238	837	535	376	243	146	131
4,581	4,633	4,698	2,672	2,021	2,169	2,034	1,735	1,540
13,961	12,545	12,234	9,800	8,480	7,424	6,556	5,879	4,869
4,200	3,424	3,020	2,772	2,546	2,133	1,867	1,790	1,391
3,389	2,702	2,295	2,171	1,895	1,456	1,257	1,197	947
—	38	59	89	1	—	—	—	—
2,050	1,688	1,842	1,211	747	527	345	209	199
10,856	12,218	12,543	7,103	5,420	5,964	5,680	4,953	4,428
20,495	20,070	19,759	13,346	10,609	10,080	9,149	8,149	6,965
31,275	29,437	27,133	24,508	22,020	20,148	18,007	15,739	13,798
4,635	4,318	4,013	3,687	3,355	2,979	2,677	2,266	1,986
—	58	219	398	20	—	—	—	—
69	78	79	73	58	48	36	22	13
21	24	23	19	19	23	23	20	14
36,000	33,915	31,467	28,685	25,472	23,198	20,743	18,047	15,811
138	121	117	119	121	112	111	121	109
756	649	596	617	598	515	509	563	509
1.11	1.17	1.28	1.37	1.46	1.48	1.49	1.45	1.49
0.98	1.02	1.04	1.12	1.16	1.18	1.19	1.17	1.19
6,703	5,972	5,695	4,281	3,557	3,213	2,996	2,751	2,527
20,507	19,823	19,387	13,103	10,513	10,011	9,031	8,058	6,931
97,944	84,624	80,447	58,353	51,740	42,711	48,466	43,393	31,614

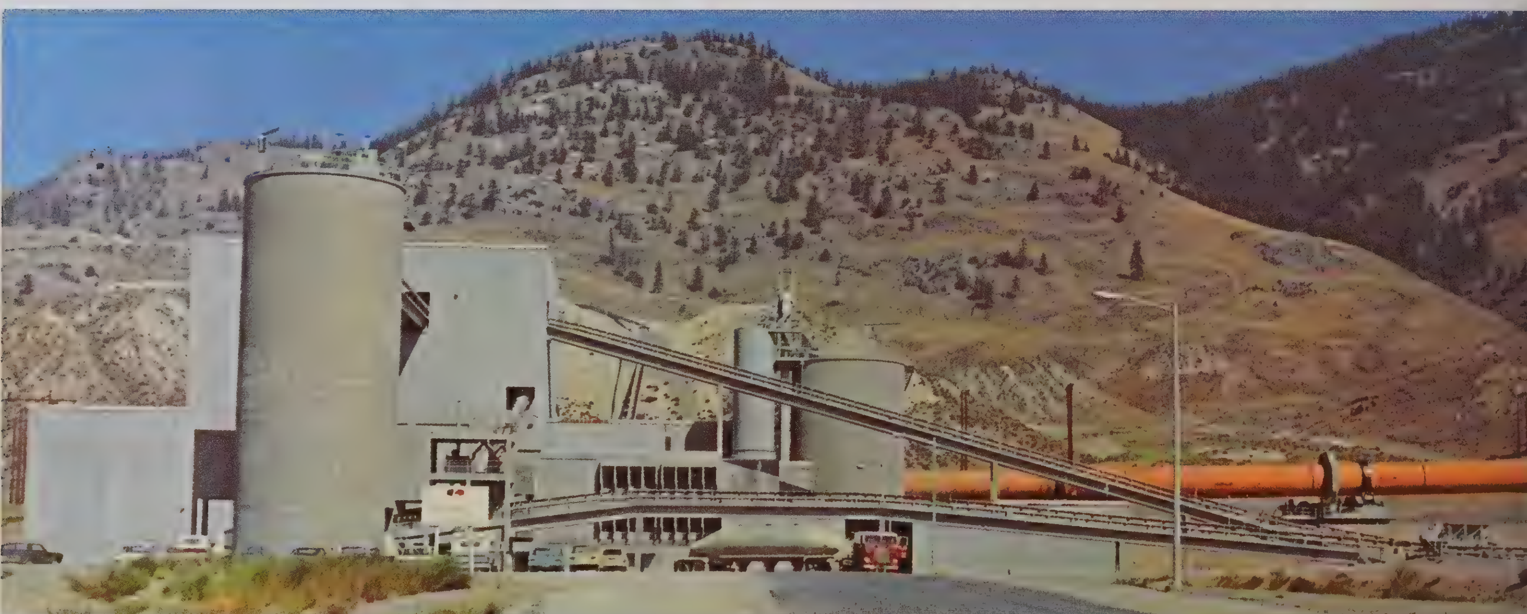
One of the most significant social roles natural gas plays is to minimize air pollution. Extensive studies by environmental control experts have demonstrated that air contamination from natural gas is substantially less than from any other type of fuel.

Inland serves an extensive portion of British Columbia containing some of the most impressive natural beauty to be found anywhere in Canada. Through the widespread use of natural gas, carefully planned industrial, commercial and residential expansion can proceed without danger to environment.

Above: 5 million dollar Penticton Hospital addition nears completion. This hospital, together with almost all other Interior hospitals, reduces pollution through use of natural gas.

Below: Lafarge Cement of North America Ltd.'s plant near Kamloops is considered to be almost 100% pollution free.

Bottom: Artist's conception of Crown Zellerbach Canada Limited's new 4.5 million dollar corrugated container manufacturing plant at Kelowna.



COMMUNITIES SERVED

Year Service Commenced		Estimated Population 1970	Population 1961
1957	Quesnel	6,500	5,300
	Williams Lake	11,000*	4,100
	100 Mile House	1,200	700
	Merritt	5,000	2,300
	Kamloops	28,200	13,000
	Valleyview	4,000	1,500
	Armstrong	1,550	1,230
	Enderby	1,350	1,050
	Salmon Arm	6,000	1,430
	Vernon	20,000*	9,200
	Kelowna	20,500	14,000
	Okanagan Mission	2,300	100
	Summerland	5,250	1,600
	Penticton	17,500	12,400
	Oliver	1,600	1,500
	Osoyoos	1,200	900
	Grand Forks	3,000	2,100
	Rossland	4,260	4,400
	Trail Tadanac	12,000	11,400
	Warfield	2,260	2,210
	Kinnaird	3,200	1,400
	Castlegar	3,460	1,900
	Nelson	9,600	7,800
1958	Chetwynd	1,370	1,280
	Prince George	61,500*	14,800
1960	Shelley	160	150
1961	Oyama	2,130	1,880
1962	Lac La Hache	360	200
	Brocklehurst	8,000	3,000
	Rutland	9,430	1,500
1964	Savona	650	530
	Winfield	2,650	1,300
	Okanagan Falls	660	350
1965	W. A. C. Bennett Damsite Hudson's Hope	2,500	70
	Canoe	500	500
	Robson	1,220	910
1967	Mackenzie	2,500	—
1968	Princeton	2,500	2,160
	Westsyde	3,500	940
	Falkland	500	410
	Coldstream	3,300	3,160
	Peachland	1,250	640
	Westbank	1,830	620
	Naramata	400	350
	Midway	500	390
1969	Clinton	1,030	1,020
	Lumby	870	840
	Total estimated service area population	280,240	138,520

**Including suburban area*

FOLD OUT FOR SYSTEM MAP

LITHOGRAPHED IN CANADA BY EVERGREEN PRESS LIMITED FIDELITY COLOUR

INLAND NATURAL GAS CO. LTD. DISTRIBUTION AREA

ALBERTA
BRITISH
COLUMBIA
Columbia Snowfields
Williams Lake
Lac La Hache
100 Mile House
Fraser
Lake Louise
Banff
Columbia
River
Revelstoke
Shuswap Lake
Clinton
Cache Creek
Savona
Ashcroft
Highland Valley
KAMLOOPS
Salmon Arm
Canoe
Enderby
Armstrong
Falkland
VERNON
Lumby
Coldstream
COMPRESSOR STATION
Okanagan Lake
Oyama
Winfield
KELOWNA
Rutland
Westbank
Merritt
Peachland
Summerland
Naramata
PENTICTON
Princeton
Okanagan Falls
Oliver
Osoyoos
Midway
Grand Forks
Rossland
TRAIL
Kootenay Lake
Arrow Lake
NELSON
Robson
Castlegar
Kinnaird
Fruitvale
Salmo
Montrose
Skookumchuck
Crowsnest
Kimberley
Fernie
Cranbrook
Creston
Vancouver
Nanaimo
CANADA-U.S.A. BORDER
Bellingham
Victoria
WASHINGTON
Columbia River
IDAHO
MONTANA